

Rep. John Fraley

From: Lisa Fox (Fiscal Research)
Sent: Tuesday, April 23, 2019 09:02 AM
To: Rep. John Fraley
Cc: Eric Moore (Fiscal Research); Chris Hearley (Fiscal Research); Erin Biggers (Fiscal Research)
Subject: [FTS-2019-00250] Estimate List of Proposals: School Staff, Minimum Wage, Expand Medicaid, Retiree Health, Masters Pay (John.Fraley@ncleg.net)

rtsDescription: Estimate List of Proposals: School Staff, Minimum Wage, Expand Medicaid, Retiree Health, Masters Pay
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Representative Fraley,

I apologize for the delay responding to your request. Below are the cost estimates for each proposed policy:

School support personnel: DPI estimates that the cost of bringing all school support positions (nurses, psychologists, counselors, and so forth) to the nationally recommended ratio is about \$700 million dollars.

For the Statewide portions:

- \$15/hr minimum wage - \$110M
- 5% raise for all school employees (unclear if this is pre or post \$15/hr policy – costing based on pre-\$15/hr) - \$415M
- Restore Masters Pay - \$8M
- 5% COLA - \$240M recurring GF appropriation, adds \$2.5B in unfunded liability
- Reinstate retiree health benefits for those hired after 1/1/2021:
 - We assume this would apply to all types of employees, not just teachers
 - We assume the coverage would be the same as for those hired prior to 2021.
 - The cost in the 2019-21 biennium is very sensitive to the assumptions and thus we do not yet have an estimate.
 - We estimate that the cost in the 2021-23 biennium would be roughly \$250M.
 - We estimate that the cost in the 2027-29 biennium would exceed \$1B.

There are different ways to expand Medicaid, so I have made the following assumptions in order to respond:

- I've assumed the Governor's expansion model, which would start Nov 2019 and is a "clean expansion," meaning anyone with income up to 133% of the federal poverty level who is not currently eligible for Medicaid qualifies. The article mentions that this would help "students and families," but children are already eligible for Medicaid up to 133% FPL so they are not directly affected by expansion. Non-disabled adults in families with children are only currently eligible to about 45% of FPL, so they could be part of the expansion population.
- I assume Rep. Fraley is interested in the cost after the federal receipts. Federal receipts will pay about 90% of expansion costs.

- The Governor's Budget assumes no new General Funds will be used for expansion. He proposes using the increase in Prepaid Health Plan gross premiums tax collections resulting from expansion and new hospital assessments to support expansion. However, I assume this State/"non-federal" share is what Rep. Fraley is looking for.
- Due to an assumed ramp up of expansion enrollees over 24 months, **expansion would cost about \$200 million in FY19-20, \$400 million in FY20-21, and about \$500 million in subsequent FYs.**
- The Governor's budget also assumes some savings from expansion: \$30.7 million in FY19-20 and \$69.3 million FY20-21, then about \$70 million annually in subsequent years.
- These costs do not include the increase in administrative costs for county departments of social services, which do the eligibility and enrollment functions for Medicaid. OSBM has estimated these costs at \$32 million in FY19-20, \$51 million in FY 20-21, and \$65-70 million annually thereafter.